

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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**ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT**

PROPOSED RULE: 02-141

DATE PREPARED: Aug 19, 2002

STATE AGENCY: Office of the Sec. of Family and Social Services

DATE RECEIVED: Jul 8, 2002

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Digest of Proposed Rule: This rule amends 405 IAC 5-24-7 to revise the copayment structure for drugs reimbursed by Medicaid. Brand name legend drugs will be subject to a \$3 copayment. Generic legend drugs, all nonlegend drugs, and compounded prescriptions will be subject to a \$.50 copayment.

The current rule provides for a \$.50 copayment for each generic legend (prescription) drug regardless of the Medicaid cost; a \$.50 copayment for each nonlegend drug dispensed with a Medicaid cost under \$10, whether brand name or generic (a nonlegend drug is considered to be an over-the-counter product); a \$1 copayment for each brand name drug with a Medicaid cost of over \$10 and under \$30; a \$2 copayment for each brand name drug with a Medicaid cost of over \$30 and under \$55; and a \$3 copayment for each brand name drug dispensed with a Medicaid cost over \$55. The current rule is silent with respect to copayments for compounded prescriptions. (A compounded prescription is one which the pharmacist combines ingredients into one final product.)

Pharmacy copayments are exempted under certain conditions and for defined groups of Medicaid-eligible individuals. Copayments may not be collected for emergency services provided in a hospital, clinic, office, or other facility equipped to provide emergency care. Copayments also may not be collected for services provided to inpatients in hospitals, nursing facilities, intermediate care facilities for the mentally retarded, or other medical institutions. Also, pharmacy services provided through a managed care organization are not subject to a copayment. Copayments may not be assessed for children under the age of 18 years, pregnant women, or for family planning services and supplies.

Governmental Entities: *State Impact:* The Office of Medicaid Policy and Planning (OMPP) has estimated that aggregate Medicaid payments to pharmacies will decrease by \$2.37 M (\$903,500 in state General Fund dollars) for FY 2003. The rule is estimated to result in total annual Medicaid savings of \$ 4.75 M (\$1.8 M state dollars) in subsequent fiscal years.

Local Impact: Local governmental entities would be affected by this rule to the extent that some municipally owned or county-owned hospitals may provide outpatient pharmacy services to individuals required to pay copayments; and then only to the extent that covered individuals decline to pay the copayments. (OMPP has estimated that about 25% of the required copayments go unpaid by the recipient.)

There are no unfunded mandates placed upon state or local governmental entities by this rule change.

Regulated Entities: The proposed revisions are not expected to change the cost of compliance for participating providers; a copayment for pharmacy products is currently required. This rule change will result in a reduction in the reimbursement the participating pharmacies receive from Medicaid by approximately \$2.37 M in FY 2003 and an annual reduction of \$4.75 M in subsequent fiscal years. The reduction in reimbursement from Medicaid should be offset to the extent that increased copayments from Medicaid recipients are able to be collected.

Information Sources: Melanie Bella, Assistant Secretary for OMPP, (317) 233-4455; Marc Shirley, Program Director/ Pharmacy, (317) 232-4343.